

Carolina Water Service, Inc. of South Carolina Summary of Risk Premium Models for the Proxy Group of Eight Water Companies

	Proxy Group of Eight Water Companies
Predictive Risk Premium Model (PRPM) (1)	11.45 %
Risk Premium Using an Adjusted Total Market Approach (2)	9.93 %
Average	10.69 %

Notes:

- (1) From page 2 of this Schedule.
(2) From page 3 of this Schedule.

Carolina Water Service, Inc. of South Carolina
Indicated ROE
Derived by the Predictive Risk Premium Model (1)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
<u>Proxy Group of Eight Water Companies</u>	<u>LT Average Predicted Variance</u>	<u>Spot Predicted Variance</u>	<u>Average Predicted Variance</u>	<u>GARCH Coefficient</u>	<u>Predicted Risk Premium (2)</u>	<u>Risk-Free Rate (3)</u>	<u>Indicated ROE (4)</u>
American States Water Co.	0.38%	0.31%	0.35%	1.75224	7.61%	3.58%	11.19%
American Water Works Company Inc	NMF	NMF	NMF	5.76835	NMF	3.58%	NMF
Aqua America Inc	0.45%	0.23%	0.34%	2.27726	9.70%	3.58%	13.28%
California Water Service Group	0.32%	0.28%	0.30%	1.94189	7.22%	3.58%	10.80%
Connecticut Water Service Inc	0.29%	0.25%	0.27%	1.94197	6.48%	3.58%	10.06%
Middlesex Water Co.	0.29%	0.37%	0.33%	2.03529	8.36%	3.58%	11.94%
SJW Corp	0.42%	0.40%	0.41%	1.57789	8.05%	3.58%	11.63%
York Water Co.	0.46%	0.41%	0.44%	2.12297	11.80%	3.58%	NMF
						Average	<u>11.48%</u>
						Median	<u>11.41%</u>
						Average of Mean and Median	<u>11.45%</u>

NMF = Not Meaningful Figure

Notes:

- (1) The Predictive Risk Premium Model uses historical data to generate a predicted variance and a GARCH coefficient. The historical data used are the equity risk premiums for the first available trading month as reported by Bloomberg Professional Service.
- (2) $[1 + (\text{Column [3]} * \text{Column [4]})^{12}] - 1$.
- (3) From note 2 on page 2 of Schedule DWD-5.
- (4) Column [5] + Column [6].

Carolina Water Service, Inc. of South Carolina
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>Proxy Group of Eight Water Companies</u>
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	4.61 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	<u>0.25 (2)</u>
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	4.86 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	<u>0.06 (3)</u>
5.	Adjusted Prospective Bond Yield	4.92 %
6.	Equity Risk Premium (4)	<u>5.01</u>
7.	Risk Premium Derived Common Equity Cost Rate	<u><u>9.93 %</u></u>

- Notes: (1) Consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 10-11 of this Schedule).
- (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.25% from page 4 of this Schedule.
- (3) Adjustment to reflect the A2 / A3 Moody's LT issuer rating of the proxy group of eight water companies as shown on page 5 of this Schedule. The 0.06% upward adjustment is derived by taking 1/6 of the spread between A2 and A3 Public Utility Bonds ($1/6 * 0.37\% = 0.06\%$) as derived from page 4 of this Schedule.
- (4) From page 7 of this Schedule.

Selected Bond Yields

Selected Bond Spreads

0.25 % (1)

0.37 % (2)

(2) Column [3] - Column [2].

Bloomberg Professional Service

Carolina Water Service, Inc. of South Carolina
Comparison of Long-Term Issuer Ratings for
Proxy Group of Eight Water Companies

	Moody's		Standard & Poor's	
	Long-Term Issuer Rating		Long-Term Issuer Rating	
	October 2017		October 2017	
<u>Proxy Group of Eight Water Companies</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting(1)</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting(1)</u>
American States Water Co. (2)	A2	6.0	A+	5.0
American Water Works Company Inc (3)	A3	7.0	A	6.0
Aqua America Inc (4)	NR	--	A+	5.0
California Water Service Group (5)	NR	--	A+	5.0
Connecticut Water Service Inc (6)	NR	--	A	6.0
Middlesex Water Co.	NR	--	A	6.0
SJW Corp (7)	NR	--	A	6.0
York Water Co.	NR	--	A-	7.0
Average	<u>A2/A3</u>	<u>6.5</u>	<u>A</u>	<u>5.8</u>

Notes:

- (1) From page 6 of this Schedule.
- (2) Ratings that of Golden State Water Company.
- (3) Ratings that of New Jersey and Pennsylvania American Water Companies.
- (4) Ratings that of Aqua Pennsylvania, Inc.
- (5) Ratings that of California Water Service Company.
- (6) Ratings that of Connecticut Water Company.
- (7) Ratings that of San Jose Water Company.

Source Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-
B1	14	B+
B2	15	B
B3	16	B-

Line No.		Proxy Group of Eight Water Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.87 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	<u>4.15</u>
3.	Average equity risk premium	5.01 %

Notes: (1) From page 8 of this Schedule.
(2) From page 12 of this Schedule.

Line No.	Equity Risk Premium Measure	Proxy Group of Eight Water Companies
<u>Ibbotson-Based Equity Risk Premiums:</u>		
1.	Ibbotson Equity Risk Premium (1)	5.56 %
2.	Regression on Ibbotson Risk Premium Data (2)	7.37
3.	Ibbotson Equity Risk Premium based on PRPM (3)	<u>5.91</u>
4.	Average Ibbotson Equity Risk Premium	<u><u>6.28</u></u>
<u>Value Line-Based Equity Risk Premiums:</u>		
5.	Equity Risk Premium Based on Value Line Summary and Index (4)	4.84
6.	Equity Risk Premium Based on Value Line S&P 500 Companies (5)	<u>9.69</u>
7.	Average Value Line Equity Risk Premium	<u><u>7.26</u></u>
<u>Bloomberg-Based Equity Risk Premium:</u>		
8.	Equity Risk Premium Based on Bloomberg S&P 500 Companies (6)	<u><u>9.31</u></u>
9.	Conclusion of Equity Risk Premium (7)	7.62 %
10.	Adjusted Beta (8)	<u>0.77</u>
11.	Forecasted Equity Risk Premium	<u>5.87 %</u>

Notes provided on page 9 of this Schedule.

Notes:

- Sources of Information:**

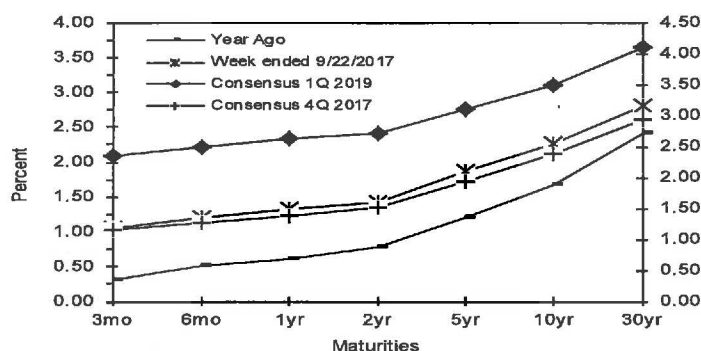
Stocks, Bonds, Bills, and Inflation - 2017 SBBI Yearbook, John Wiley & Sons, Inc.
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, October 1, 2017 and June 1, 2017
Bloomberg Professional Service

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

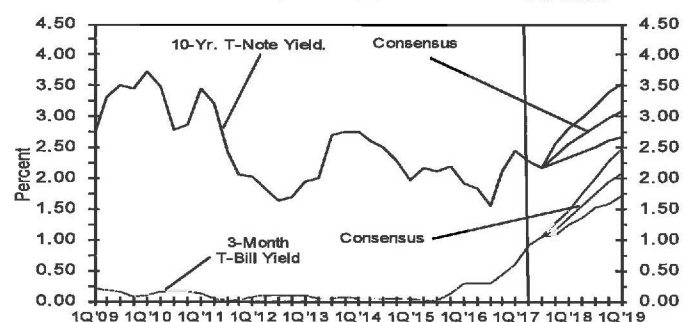
Interest Rates	History								Consensus Forecasts-Quarterly Avg.					
	-----Average For Week Ending-----				---Average For Month---			Latest Qtr	4Q	1Q	2Q	3Q	4Q	1Q
	Sep. 22	Sep. 15	Sep. 8	Sep. 1	Aug	Jul	Jun	3Q 2017*	2017	2018	2018	2018	2018	2019
Federal Funds Rate	1.16	1.16	1.15	1.16	1.16	1.15	1.03	1.16	1.2	1.4	1.6	1.8	2.0	2.2
Prime Rate	4.25	4.25	4.25	4.25	4.25	4.25	4.13	4.25	4.3	4.5	4.7	4.9	5.1	5.2
LIBOR, 3-mo.	1.33	1.32	1.32	1.32	1.31	1.31	1.26	1.32	1.4	1.6	1.8	2.0	2.2	2.4
Commercial Paper, 1-mo.	1.11	1.11	1.10	1.11	1.10	1.10	1.00	1.11	1.2	1.4	1.6	1.8	2.0	2.2
Treasury bill, 3-mo.	1.04	1.04	1.05	1.04	1.04	1.09	1.00	1.04	1.2	1.4	1.5	1.7	1.9	2.1
Treasury bill, 6-mo.	1.19	1.16	1.15	1.11	1.13	1.13	1.11	1.17	1.3	1.5	1.7	1.9	2.1	2.2
Treasury bill, 1 yr.	1.31	1.27	1.23	1.23	1.23	1.23	1.20	1.27	1.4	1.6	1.8	2.0	2.2	2.3
Treasury note, 2 yr.	1.43	1.35	1.29	1.33	1.34	1.38	1.33	1.36	1.5	1.7	1.9	2.1	2.3	2.4
Treasury note, 5 yr.	1.87	1.77	1.65	1.72	1.79	1.88	1.77	1.76	1.9	2.1	2.3	2.5	2.6	2.8
Treasury note, 10 yr.	2.26	2.18	2.07	2.14	2.23	2.32	2.19	2.17	2.4	2.5	2.7	2.8	3.0	3.1
Treasury note, 30 yr.	2.81	2.77	2.69	2.75	2.81	2.89	2.81	2.76	2.9	3.1	3.3	3.4	3.5	3.6
Corporate Aaa bond	3.77	3.76	3.70	3.72	3.76	3.81	3.81	3.74	3.9	4.1	4.3	4.4	4.6	4.7
Corporate Baa bond	4.33	4.34	4.3	4.31	4.34	4.39	4.39	4.32	4.5	4.8	5.0	5.1	5.3	5.5
State & Local bonds	3.32	3.31	3.29	3.30	3.35	3.43	3.37	3.31	3.6	3.8	4.0	4.1	4.2	4.3
Home mortgage rate	3.83	3.78	3.78	3.82	3.88	3.97	3.90	3.80	4.0	4.2	4.4	4.5	4.7	4.8
Key Assumptions	History								Consensus Forecasts-Quarterly					
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	2015	2016	2016	2016	2016	2017	2017	2017*	2017	2018	2018	2018	2018	2019
Major Currency Index	93.1	93.3	89.6	90.3	93.7	94.4	93.0	88.3	88.4	88.9	89.1	89.1	89.2	88.6
Real GDP	0.5	0.6	2.2	2.8	1.8	1.2	3.1	2.2	2.6	2.3	2.4	2.3	2.2	2.1
GDP Price Index	0.8	0.3	2.4	1.4	2.0	2.0	1.0	1.7	2.0	1.9	1.9	2.1	2.1	2.2
Consumer Price Index	0.4	0.1	2.3	1.8	3.0	3.1	-0.3	1.9	2.4	2.0	2.0	2.2	2.3	2.3

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data: Treasury rates from the Federal Reserve Board's H.15; AAA-AA and A-BBB corporate bond yields from Bank of America-Merrill Lynch and are 15+ years, yield to maturity; State and local bond yields from Bank of America-Merrill Lynch, A-rated, yield to maturity; Mortgage rates from Freddie Mac, 30-year, fixed; LIBOR quotes from Intercontinental Exchange. All interest rate data is sourced from Haver Analytics. Historical data for Fed's Major Currency Index is from FRSR H.10. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). *Interest rate data for 3Q 2017 based on historical data through the week ended September 22nd. *Data for 3Q 2017 Major Currency Index is based on data through week ended September 22nd. Figures for 3Q 2017 Real GDP, GDP Chained Price Index and Consumer Price Index are consensus forecasts based on a special question asked of the panelists' this month.*

U.S. Treasury Yield Curve
Week ended September 22, 2017 and Year Ago vs.
4Q 2017 and 1Q 2019 Consensus Forecasts

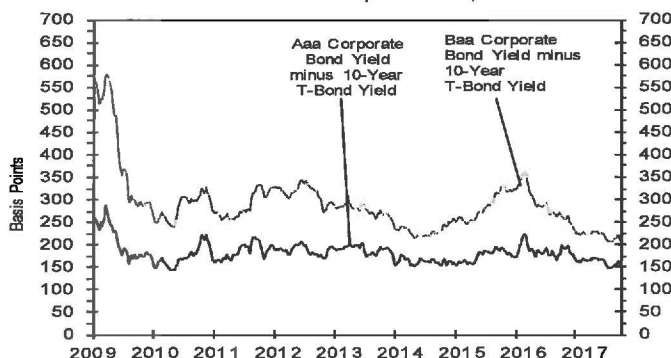


U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield
(Quarterly Average) Forecast

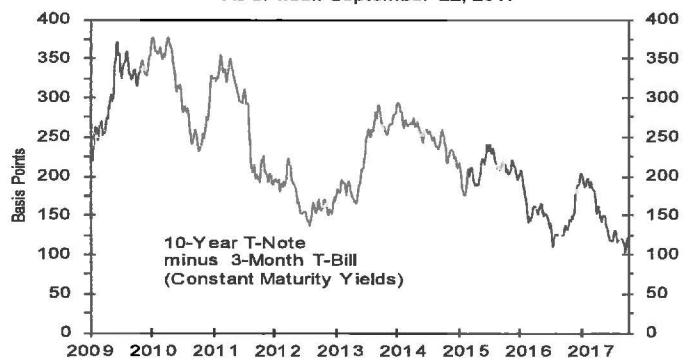


Corporate Bond Spreads

As of week ended September 22, 2017



U.S. Treasury Yield Curve



Interest Rates

Interest Rates		Average For The Year					Five-Year Averages	
		2019	2020	2021	2022	2023	2019-2023	2024-2028
1. Federal Funds Rate	CONSENSUS	2.6	2.9	2.9	2.9	2.9	2.8	3.0
	Top 10 Average	3.1	3.5	3.4	3.5	3.5	3.4	3.5
	Bottom 10 Average	2.0	2.3	2.3	2.3	2.4	2.3	2.4
2. Prime Rate	CONSENSUS	5.6	5.9	5.9	5.9	5.9	5.8	6.0
	Top 10 Average	6.1	6.5	6.5	6.5	6.5	6.4	6.5
	Bottom 10 Average	5.0	5.3	5.3	5.2	5.3	5.2	5.4
3. LIBOR, 3-Mo.	CONSENSUS	2.9	3.1	3.2	3.1	3.2	3.1	3.2
	Top 10 Average	3.4	3.7	3.7	3.7	3.8	3.7	3.8
	Bottom 10 Average	2.4	2.6	2.6	2.5	2.6	2.5	2.6
4. Commercial Paper, 1-Mo.	CONSENSUS	2.7	3.0	3.0	3.0	3.1	3.0	3.1
	Top 10 Average	3.2	3.5	3.5	3.6	3.6	3.5	3.6
	Bottom 10 Average	2.2	2.5	2.5	2.4	2.5	2.4	2.6
5. Treasury Bill Yield, 3-Mo.	CONSENSUS	2.5	2.8	2.8	2.8	2.9	2.8	2.9
	Top 10 Average	3.1	3.4	3.4	3.4	3.5	3.3	3.5
	Bottom 10 Average	1.9	2.2	2.3	2.2	2.3	2.2	2.3
6. Treasury Bill Yield, 6-Mo.	CONSENSUS	2.6	2.9	3.0	3.0	3.0	2.9	3.0
	Top 10 Average	3.2	3.6	3.5	3.6	3.6	3.5	3.6
	Bottom 10 Average	2.0	2.4	2.4	2.4	2.4	2.3	2.4
7. Treasury Bill Yield, 1-Yr.	CONSENSUS	2.8	3.1	3.1	3.1	3.1	3.0	3.2
	Top 10 Average	3.4	3.7	3.7	3.7	3.7	3.6	3.7
	Bottom 10 Average	2.1	2.5	2.5	2.5	2.5	2.4	2.5
8. Treasury Note Yield, 2-Yr.	CONSENSUS	2.9	3.2	3.3	3.3	3.3	3.2	3.3
	Top 10 Average	3.5	3.9	3.9	3.9	3.9	3.8	4.0
	Bottom 10 Average	2.3	2.6	2.7	2.6	2.6	2.6	2.7
10. Treasury Note Yield, 5-Yr.	CONSENSUS	3.3	3.5	3.5	3.6	3.6	3.5	3.6
	Top 10 Average	3.9	4.2	4.2	4.2	4.2	4.1	4.3
	Bottom 10 Average	2.7	2.9	2.9	3.0	3.0	2.9	3.0
11. Treasury Note Yield, 10-Yr.	CONSENSUS	3.6	3.8	3.8	3.9	3.9	3.8	3.9
	Top 10 Average	4.2	4.5	4.4	4.5	4.5	4.4	4.6
	Bottom 10 Average	2.9	3.1	3.1	3.2	3.3	3.1	3.3
12. Treasury Bond Yield, 30-Yr.	CONSENSUS	4.2	4.3	4.4	4.4	4.4	4.3	4.5
	Top 10 Average	4.9	5.0	5.0	5.0	5.0	5.0	5.1
	Bottom 10 Average	3.5	3.7	3.7	3.8	3.8	3.7	3.8
13. Corporate Aaa Bond Yield	CONSENSUS	5.2	5.4	5.4	5.4	5.5	5.4	5.5
	Top 10 Average	5.7	5.9	5.9	6.0	5.9	5.9	6.0
	Bottom 10 Average	4.7	4.9	4.9	4.9	5.0	4.9	5.1
13. Corporate Baa Bond Yield	CONSENSUS	6.1	6.3	6.3	6.3	6.3	6.3	6.4
	Top 10 Average	6.8	7.0	6.9	7.0	6.9	6.9	7.0
	Bottom 10 Average	5.5	5.6	5.7	5.6	5.8	5.6	5.7
14. State & Local Bonds Yield	CONSENSUS	4.6	4.7	4.7	4.7	4.7	4.7	4.8
	Top 10 Average	5.1	5.3	5.2	5.3	5.3	5.2	5.3
	Bottom 10 Average	4.2	4.2	4.2	4.1	4.1	4.2	4.2
15. Home Mortgage Rate	CONSENSUS	5.3	5.5	5.5	5.5	5.5	5.4	5.6
	Top 10 Average	5.9	6.2	6.1	6.2	6.1	6.1	6.2
	Bottom 10 Average	4.6	4.8	4.8	4.7	4.9	4.8	4.9
A. FRB - Major Currency Index	CONSENSUS	93.8	93.2	93.1	93.0	92.7	93.2	92.5
	Top 10 Average	96.5	96.6	96.9	97.1	97.2	96.9	97.1
	Bottom 10 Average	91.0	89.7	89.2	88.7	88.1	89.3	88.1
		Year-Over-Year, % Change					Five-Year Averages	
		2019	2020	2021	2022	2023	2019-2023	2024-2028
B. Real GDP	CONSENSUS	2.2	2.0	2.0	2.0	2.0	2.0	2.1
	Top 10 Average	2.6	2.4	2.4	2.4	2.3	2.4	2.3
	Bottom 10 Average	1.7	1.6	1.6	1.6	1.6	1.6	1.8
C. GDP Chained Price Index	CONSENSUS	2.2	2.1	2.1	2.0	2.0	2.1	2.0
	Top 10 Average	2.5	2.3	2.3	2.2	2.2	2.3	2.3
	Bottom 10 Average	1.9	1.9	1.9	1.9	1.7	1.8	1.9
D. Consumer Price Index	CONSENSUS	2.3	2.3	2.3	2.3	2.2	2.2	2.2
	Top 10 Average	2.6	2.6	2.5	2.5	2.4	2.5	2.4
	Bottom 10 Average	1.9	2.0	2.0	2.1	1.8	2.0	2.0

Line No.		Implied Equity Risk Premium
	Equity Risk Premium based on S&P Utility Index Holding Period Returns (1):	
1.	Historical Equity Risk Premium	3.96 %
2.	Regression of Historical Equity Risk Premium (2)	5.59
3.	Forecasted Equity Risk Premium Based on PRPM (3)	3.96
4.	Average Equity Risk Premium Using S&P Holding Period Returns	4.50 %
	Equity Risk Premium based on Projected Market Appreciation of the S&P Utility Index	
5.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Value Line Data) (4)	4.20
6.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Bloomberg Data) (5)	3.74
7.	Average Equity Risk Premium (6)	4.15 %

Notes: (1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2016. Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

(2) This equity risk premium is based on a regression of the monthly equity risk premiums of the S&P Utility Index relative to Moody's A rated public utility bond yields from 1928 - 2016 referenced in note 1 above.

(3) The Predictive Risk Premium Model (PRPM) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A rated public utility bonds from January 1928 - September 2017.

(4) Using data from Value Line for the S&P Utilities Index, an expected return of 9.06% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A rated public utility bond yield of 4.86%, calculated on line 3 of page 3 of this Schedule results in an equity risk premium of 4.20%. ($9.06\% - 4.86\% = 4.20\%$)

(5) Using data from Bloomberg Professional Service for the S&P Utilities Index, an expected return of 8.60% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A rated public utility bond yield of 4.86%, calculated on line 3 of page 3 of this Schedule results in an equity risk premium of 3.74%. ($8.60\% - 4.86\% = 3.74\%$)

(6) Average of lines 4 through 6.

Carolina Water Service, Inc. of South Carolina
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
<u>Proxy Group of Eight Water Companies</u>								
American States Water Co.	0.80	0.74	0.77	8.67 %	3.58 %	10.25 %	10.75 %	10.50 %
American Water Works Company Inc	0.65	0.57	0.61	8.67	3.58	8.87	9.71	9.29
Aqua America Inc	0.70	0.61	0.66	8.67	3.58	9.30	10.04	9.67
California Water Service Group	0.80	0.78	0.79	8.67	3.58	10.43	10.88	10.65
Connecticut Water Service Inc	0.65	0.69	0.67	8.67	3.58	9.39	10.10	9.74
Middlesex Water Co.	0.80	0.97	0.89	8.67	3.58	11.29	11.53	11.41
SJW Corp	0.75	0.84	0.80	8.67	3.58	10.51	10.95	10.73
York Water Co.	0.80	0.98	0.89	8.67	3.58	11.29	11.53	11.41
Mean			0.76			10.17 %	10.69 %	10.43 %
Median			0.78			10.34 %	10.82 %	10.58 %
Average of Mean and Median			0.77			10.26	10.76	10.51 %

Notes on page 2 of this Schedule.

Carolina Water Service, Inc. of South Carolina
Notes to Accompany the Application of the CAPM and ECAPM

Notes:

- (1) The market risk premium (MRP) is derived by using six different measures from three sources: Ibbotson, Value Line, and Bloomberg as illustrated below:

Historical Data MRP Estimates:

Measure 1: Ibbotson Arithmetic Mean MRP (1926-2016)

Arithmetic Mean Monthly Returns for Large Stocks 1926-2016:	11.97 %
Arithmetic Mean Income Returns on Long-Term Government Bonds:	5.17
MRP based on Ibbotson Historical Data:	<u>6.80 %</u>

Measure 2: Application of a Regression Analysis to Ibbotson Historical Data (1926-2016)

8.60 %

Measure 3: Application of the PRPM to Ibbotson Historical Data: (January 1926 - September 2017)

6.69 %

Average Historical Data MRP 7.36 %

Value Line MRP Estimates:

Measure 4: Value Line Projected MRP (Thirteen weeks ending October 13, 2017)

Total projected return on the market 3-5 years hence*:	9.45 %
Projected Risk-Free Rate (see note 2):	3.58
MRP based on Value Line Summary & Index:	<u>5.87 %</u>

*Forecasted 3-5 year capital appreciation plus expected dividend yield

Measure 5: Value Line Projected Return on the Market based on the S&P 500

Total return on the Market based on the S&P 500:	14.30 %
Projected Risk-Free Rate (see note 2):	3.58
MRP based on Value Line data	<u>10.72 %</u>

Average Value Line MRP: 8.29 %

Measure 6: Bloomberg Projected MRP

Total return on the Market based on the S&P 500:	13.92 %
Projected Risk-Free Rate (see note 2):	3.58
MRP based on Bloomberg data	<u>10.34 %</u>

Average of Value Line, Ibbotson, and Bloomberg MRP: 8.67 %

- (2) For reasons explained in the direct testimony, the appropriate risk-free rate for cost of capital purposes is the average forecast of 30 year Treasury Bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts. (See pages 10-11 of Schedule DWD-4.) The projection of the risk-free rate is illustrated below:

Fourth Quarter 2017	2.90 %
First Quarter 2018	3.10
Second Quarter 2018	3.30
Third Quarter 2018	3.40
Fourth Quarter 2018	3.50
First Quarter 2019	3.60
2019-2023	4.30
2024-2028	4.50
	<u>3.58 %</u>

- (3) Average of Column 6 and Column 7.

Sources of Information:

Value Line Summary and Index
Blue Chip Financial Forecasts, October 1, 2017 and June 1, 2017
Stocks, Bonds, Bills, and Inflation - 2017 SBBI Yearbook, John Wiley & Sons, Inc.
Bloomberg Professional Services

Carolina Water Service, Inc. of South Carolina
Basis of Selection of the Group of Non-Price Regulated Companies
Comparable in Total Risk to the Utility Proxy Group

The criteria for selection of the proxy group of twenty-eight non-price regulated companies was that the non-price regulated companies be domestic and reported in Value Line Investment Survey (Standard Edition).

The proxy group of twenty-eight non-price regulated companies were then selected based on the unadjusted beta range of 0.37 – 0.77 and residual standard error of the regression range of 2.4240 – 2.8912 of the water proxy group.

These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and residual standard errors of the regression.

The standard deviation of the water industry's residual standard error of the regression is 0.0860. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1168 = \frac{2.6576}{\sqrt{518}} = \frac{2.6576}{22.7596}$$

Source of Information: Value Line, Inc., September 2017
Value Line Investment Survey (Standard Edition)

Carolina Water Service, Inc. of South Carolina
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

	[1]	[2]	[3]	[4]
	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
<u>Proxy Group of Eight Water Companies</u>				
American States Water Co.	0.80	0.62	2.7883	0.1032
American Water Works Company Inc	0.65	0.41	1.9968	0.0739
Aqua America Inc	0.70	0.54	2.1879	0.0810
California Water Service Group	0.80	0.63	2.6120	0.0967
Connecticut Water Service Inc	0.65	0.46	2.4195	0.0895
Middlesex Water Co.	0.80	0.64	2.9923	0.1107
SJW Corp	0.75	0.56	3.0548	0.1131
York Water Co.	0.80	0.68	3.2092	0.1188
Average	0.74	0.57	2.6576	0.0984
Beta Range (+/- 2 std. Devs. of Beta)	0.37	0.77		
2 std. Devs. of Beta	0.20			
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.4240	2.8912		
Std. dev. of the Res. Std. Err.	0.1168			
2 std. dev. of the Res. Std. Err.	0.2336			

Source of Information: Valueline Proprietary Database, September 2017

Carolina Water Service, Inc. of South Carolina
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]
Proxy Group of Twenty-Eight Non-Price Regulated Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
AmerisourceBergen	0.85	0.75	2.5531	0.0945
ARAMARK Holdings	0.85	0.77	2.4453	0.1022
AutoZone Inc.	0.80	0.64	2.4990	0.0925
Bright Horizons Fami	0.85	0.70	2.4558	0.0942
Cheesecake Factory	0.75	0.58	2.6263	0.0972
CBOE Holdings	0.70	0.50	2.5399	0.0940
Chemed Corp.	0.80	0.68	2.8556	0.1057
C.H. Robinson	0.85	0.70	2.6811	0.0992
CME Group	0.80	0.62	2.4557	0.0909
DineEquity Inc.	0.80	0.67	2.7737	0.1026
Dunkin' Brands Group	0.65	0.45	2.7843	0.1030
Darden Restaurants	0.85	0.76	2.7543	0.1019
Forrester Research	0.70	0.47	2.6503	0.0981
Hormel Foods	0.75	0.57	2.4428	0.0904
Lilly (Eli)	0.75	0.59	2.5230	0.0934
Mercury General	0.80	0.64	2.4716	0.0915
Vail Resorts	0.85	0.72	2.6041	0.0964
NVR, Inc.	0.85	0.70	2.4253	0.0898
Pinnacle Foods	0.80	0.68	2.5721	0.0998
Quintiles IMS Hldgs.	0.85	0.77	2.6073	0.1016
Regal Entertainment	0.85	0.75	2.7024	0.1000
Six Flags Entertainm	0.85	0.74	2.8322	0.1048
Spectrum Brands	0.85	0.72	2.8725	0.1063
Target Corp.	0.85	0.74	2.6959	0.0998
VeriSign Inc.	0.85	0.73	2.8219	0.1044
VWR Corp.	0.85	0.75	2.8069	0.1261
WD-40 Co.	0.85	0.70	2.4499	0.0907
West Pharmac. Svcs.	0.85	0.74	2.5450	0.0942
Average	0.81	0.67	2.6200	0.1000
Proxy Group of Eight Water Companies	0.74	0.57	2.6576	0.0984

Source of Information:

Valueline Proprietary Database, September 2017

BCECFRBNIEARPRQCHESNONB-FA016AnyG65302FPA-PBCPSCP-500c1201#-2092-VX02-WAggP#B00# 26 of 82

Carolina Water Service, Inc. of South Carolina
Summary of Cost of Equity Models Applied to
Proxy Group of Twenty-Eight Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Eight Water Companies

<u>Principal Methods</u>	<u>Proxy Group of Twenty-Eight Non-Price Regulated Companies</u>
Discounted Cash Flow Model (DCF) (1)	13.57 %
Risk Premium Model (RPM) (2)	11.91
Capital Asset Pricing Model (CAPM) (3)	<u>11.15</u>
Mean	<u><u>12.21 %</u></u>
Median	<u><u>11.91 %</u></u>
Average of Mean and Median	<u><u>12.06 %</u></u>

Notes:

- (1) From page 2 of this Schedule.
- (2) From page 3 of this Schedule.
- (3) From page 6 of this Schedule.

Carolina Water Service, Inc. of South Carolina
DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Twenty-Eight Non-Price Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate (1)
AmerisourceBergen	1.77 %	11.00 %	8.24 %	9.30 %	8.24 %	9.20 %	1.85 %	11.05 %
ARAMARK Holdings	1.02	NA	13.96	12.00	13.96	13.31	1.09	14.40
AutoZone Inc.	-	11.50	10.11	11.60	10.11	10.83	-	NA
Bright Horizons Fami	-	19.50	17.17	20.00	17.17	18.46	-	NA
Cheesecake Factory	1.98	8.50	10.55	14.60	10.55	11.05	2.09	13.14
CBOE Holdings	1.06	13.00	NA	17.40	18.28	16.23	1.15	17.38
Chemed Corp.	0.57	13.50	NA	10.00	10.00	11.17	0.60	11.77
C.H. Robinson	2.55	6.00	6.30	8.80	6.31	6.85	2.64	9.49
CME Group	2.05	8.50	8.65	10.60	8.65	9.10	2.14	11.24
DineEquity Inc.	9.49	5.00	3.90	NA	3.90	4.27	9.69	13.96
Dunkin' Brands Group	2.43	10.00	10.51	13.40	10.51	11.11	2.56	13.67
Darden Restaurants	3.06	11.00	11.60	10.30	11.60	11.13	3.23	14.36
Forrester Research	1.86	10.00	12.00	12.00	12.00	11.50	1.97	13.47
Hormel Foods	2.09	10.50	1.62	9.30	1.62	5.76	2.15	7.91
Lilly (Eli)	2.52	11.00	11.40	10.30	11.41	11.03	2.66	13.69
Mercury General	4.35	14.00	26.50	26.50	26.50	23.38	4.86	28.24
Vail Resorts	1.91	20.50	17.50	NA	17.50	18.50	2.09	20.59
NVR, Inc.	-	15.00	18.70	14.90	18.70	16.83	-	NA
Pinnacle Foods	2.20	NA	10.91	9.30	10.91	10.37	2.31	12.68
Quintiles IMS Hldgs.	-	12.00	12.93	13.00	13.78	12.93	-	NA
Regal Entertainment	5.30	12.00	3.34	10.00	4.27	7.40	5.50	12.90
Six Flags Entertainm	4.53	12.00	8.00	8.00	8.00	9.00	4.73	13.73
Spectrum Brands	1.55	11.50	9.25	9.60	9.25	9.90	1.63	11.53
Target Corp.	4.33	4.50	(3.33)	4.70	(3.33)	4.60	4.43	9.03
VeriSign Inc.	-	10.50	NA	NA	8.00	9.25	-	NA
VWR Corp.	-	NA	8.99	NA	8.99	8.99	-	NA
WD-40 Co.	1.80	8.00	NA	10.00	13.00	10.33	1.89	12.22
West Pharmac. Svcs.	0.62	15.00	18.13	17.10	18.13	17.09	0.67	17.76
							Mean	13.83 %
							Median	13.31 %
						Average of Mean and Median		13.57 %

NA= Not Available
NMF= Not Meaningful Figure

- (1) The application of the DCF model to the domestic, non-price regulated comparable risk companies is identical to the application of the DCF to the utility proxy group. The dividend yield is derived by using the 60 day average price and the spot indicated dividend as of October 13, 2017. The dividend yield is then adjusted by 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey
www.reuters.com Downloaded on 10/13/2017
www.zacks.com Downloaded on 10/13/2017
www.yahoo.com Downloaded on 10/13/2017

Line No.

1.	Prospective Yield on Baa Rated Corporate Bonds (1)	5.36 %
2.	Equity Risk Premium (2)	<u>6.55</u>
3.	Risk Premium Derived Common Equity Cost Rate	<u>11.91 %</u>

Fourth Quarter 2017	4.50	%
First Quarter 2018	4.80	
Second Quarter 2018	5.00	
Third Quarter 2018	5.10	
Fourth Quarter 2018	5.30	
First Quarter 2019	5.50	
2019-2023	6.30	
2024-2028	6.40	
Average	5.36	%

(2) From page 5 of this Schedule.

Carolina Water Service, Inc. of South Carolina
Comparison of Long-Term Issuer Ratings for the
Proxy Group of Twenty-Eight Non-Price Regulated Companies of Comparable risk to the
Proxy Group of Eight Water Companies

Proxy Group of Twenty-Eight Non-Price Regulated Companies	Moody's Long-Term Issuer Rating October 2017		Standard & Poor's Long-Term Issuer Rating October 2017	
	Long- Term Issuer Rating	Numerical Weighting (1)	Long- Term Issuer Rating	Numerical Weighting (1)
AmerisourceBergen	Baa2	9.0	A-	7.0
ARAMARK Holdings	NR	--	BB+	11.0
AutoZone Inc.	Baa1	8.0	BBB	9.0
Bright Horizons Fami	NR	--	NR	--
Cheesecake Factory	NR	--	NR	--
CBOE Holdings	Baa1	8.0	BBB+	8.0
Chemed Corp.	NR	--	NR	--
C.H. Robinson	NR	--	NR	--
CME Group	Aa3	4.0	AA-	4.0
DineEquity Inc.	NR	--	NR	--
Dunkin' Brands Group	NR	--	NR	--
Darden Restaurants	Baa3	10.0	BBB	9.0
Forrester Research	NR	--	NR	--
Hormel Foods	A1	5.0	A	6.0
Lilly (Eli)	A2	6.0	AA-	4.0
Mercury General	Baa2	9.0	NR	--
Vail Resorts	NR	--	NR	--
NVR, Inc.	Baa2	9.0	BBB+	8.0
Pinnacle Foods	NR	--	BB-	13.0
Quintiles IMS Hldgs.	NR	--	BBB-	10.0
Regal Entertainment	B3	16.0	BB-	13.0
Six Flags Entertainm	B2	15.0	BB	12.0
Spectrum Brands	NR	--	NR	--
Target Corp.	A2	6.0	A	6.0
VeriSign Inc.	Ba1	11.0	BB+	11.0
VWR Corp.	NR	--	BB-	13.0
WD-40 Co.	NR	--	NR	--
West Pharmac. Svcs.	NR	--	NR	--
Average	<u>Baa2</u>	<u>8.9</u>	<u>BBB</u>	<u>9.0</u>

Notes:
(1) From page 6 of Schedule DWD-4.

Source of Information:
Bloomberg Professional Services

Carolina Water Service, Inc. of South Carolina
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
Proxy Group of Twenty-Eight Non-Price Regulated Companies of Comparable risk to the
Proxy Group of Eight Water Companies

<u>Line No.</u>	<u>Equity Risk Premium Measure</u>	<u>Proxy Group of Twenty-Eight Non- Price Regulated Companies</u>
<u>Ibbotson-Based Equity Risk Premiums:</u>		
1.	Ibbotson Equity Risk Premium (1)	5.56 %
2.	Regression on Ibbotson Risk Premium Data (2)	7.37
3.	Ibbotson Equity Risk Premium based on PRPM (3)	<u>5.91</u>
4.	Average Ibbotson Equity Risk Premium	<u><u>6.28</u></u>
<u>Value Line-Based Equity Risk Premiums:</u>		
5.	Equity Risk Premium Based on <u>Value Line</u> Summary and Index (4)	4.84
6.	Equity Risk Premium Based on <u>Value Line</u> S&P 500 Companies (5)	<u>9.69</u>
7.	Average <u>Value Line</u> Equity Risk Premium	<u><u>7.26</u></u>
<u>Bloomberg-Based Equity Risk Premium:</u>		
8.	Equity Risk Premium Based on Bloomberg S&P 500 Companies (6)	<u>9.31</u>
9.	Conclusion of Equity Risk Premium (7)	7.62 %
10.	Adjusted Beta (8)	<u>0.86</u>
11.	Forecasted Equity Risk Premium	<u><u>6.55 %</u></u>

Notes:

- (1) From note 1 of page 9 of Schedule DWD-4.
- (2) From note 2 of page 9 of Schedule DWD-4.
- (3) From note 3 of page 9 of Schedule DWD-4.
- (4) From note 4 of page 9 of Schedule DWD-4.
- (5) From note 5 of page 9 of Schedule DWD-4.
- (6) From note 6 of page 9 of Schedule DWD-4.
- (7) Average of lines 4, 7, and 8.
- (8) Average of mean and median beta from page 6 of this Schedule.

Sources of Information:

Stocks, Bonds, Bills, and Inflation - 2017 SBBI Yearbook, John Wiley & Sons, Inc.
Value Line Summary and Index
Blue Chip Financial Forecasts, October 1, 2017 and June 1, 2017
Bloomberg Professional Services

Carolina Water Service, Inc. of South Carolina
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Twenty-Eight Non-Price Regulated Companies	Value Line Adjusted Beta	Bloomberg Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
AmerisourceBergen	0.85	0.96	0.91	8.67 %	3.58 %	11.47 %	11.66 %	11.56 %
ARAMARK Holdings	0.85	0.87	0.86	8.67	3.58	11.03	11.34	11.18
AutoZone Inc.	0.75	0.85	0.80	8.67	3.58	10.51	10.95	10.73
Bright Horizons Fami	0.85	1.09	0.97	8.67	3.58	11.99	12.05	12.02
Cheesecake Factory	0.75	0.91	0.83	8.67	3.58	10.77	11.14	10.96
CBOE Holding	0.70	0.82	0.76	8.67	3.58	10.17	10.69	10.43
Chemed Corp.	0.80	1.07	0.94	8.67	3.58	11.73	11.86	11.79
C.H. Robinson	0.85	0.66	0.75	8.67	3.58	10.08	10.62	10.35
CME Group	0.80	0.94	0.87	8.67	3.58	11.12	11.40	11.26
DineEquity Inc.	0.80	0.79	0.80	8.67	3.58	10.51	10.95	10.73
Dunkin' Brands Group	0.65	0.88	0.77	8.67	3.58	10.25	10.75	10.50
Darden Restaurants	0.85	0.84	0.85	8.67	3.58	10.95	11.27	11.11
Forrester Research	0.70	1.11	0.91	8.67	3.58	11.47	11.66	11.56
Hormel Foods	0.75	0.55	0.65	8.67	3.58	9.21	9.97	9.59
Lilly (Eli)	0.75	0.81	0.78	8.67	3.58	10.34	10.82	10.58
Mercury General	0.80	0.92	0.86	8.67	3.58	11.03	11.34	11.18
Vail Resorts	0.85	0.90	0.88	8.67	3.58	11.21	11.47	11.34
NVR, Inc.	0.85	0.89	0.87	8.67	3.58	11.12	11.40	11.26
Pinnacle Foods	0.80	0.75	0.77	8.67	3.58	10.25	10.75	10.50
Quintiles IMS Hldgs.	0.85	0.91	0.88	3.67	3.58	11.21	11.47	11.34
Regal Entertainment	0.85	0.88	0.86	8.67	3.58	11.03	11.34	11.18
Six Flags Entertainm	0.85	0.86	0.85	8.67	3.58	10.95	11.27	11.11
Spectrum Brands	0.85	0.76	0.80	8.67	3.58	10.51	10.95	10.73
Target Corp.	0.80	0.92	0.86	8.67	3.58	11.03	11.34	11.18
VeriSign Inc.	0.85	1.12	0.99	8.67	3.58	12.16	12.18	12.17
VWR Corp.	0.85	1.02	0.94	8.67	3.58	11.73	11.86	11.79
WD-40 Co.	0.85	0.81	0.83	8.67	3.58	10.77	11.14	10.96
West Pharmac. Svcs.	0.85	1.05	0.95	8.67	3.58	11.81	11.92	11.87
Mean			0.85			10.94 %	11.27 %	11.11 %
Median			0.86			11.03 %	11.34 %	11.19 %
Average of Mean and Median			0.86			10.99 %	11.31 %	11.15 %

Notes:

- (1) From Schedule DWD-5, note 1.
(2) From Schedule DWD-5, note 2.
(3) Average of CAPM and ECAPM cost rates.

Carolina Water Service, Inc. of South Carolina
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.		[1]		[2]	[3]	[4]
		Market Capitalization on October		Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	Applicable Size Premium (3)	Spread from Applicable Size Premium (4)
		(millions)	(times larger)			
1.	<u>Carolina Water Service, Inc. of South Carolina</u>	\$ 57.209		10	5.59%	
2.	<u>Proxy Group of Eight Water Companies</u>	\$ 3,543.646	61.9 x	5	1.51%	4.08%

	[A]	[B]	[C]	[D]	[E]
	Decile	Number of Companies	Recent Total Market Capitalization (millions)	Recent Average Market Capitalization (millions)	Size Premium (Return in Excess of CAPM)
Largest	1	191	\$15,290,475.30	\$80,054.84	-0.35%
	2	200	\$3,010,671.02	\$15,053.36	0.61%
	3	202	\$1,609,575.62	\$7,968.20	0.89%
	4	221	\$1,010,851.81	\$4,573.99	0.98%
	5	227	\$677,120.07	\$2,982.91	1.51%
	6	259	\$541,038.00	\$2,088.95	1.66%
	7	283	\$384,129.20	\$1,357.35	1.72%
	8	361	\$297,164.94	\$823.17	2.08%
	9	487	\$212,609.64	\$436.57	2.68%
Smallest	10	790	\$92,882.17	\$117.57	5.59%

*From 2017 Stocks, Bonds, Bills, and Inflation (SBBi) Yearbook

Notes:

- (1) From page 2 of this Schedule.
- (2) Gleaned from Column (D) on the bottom of this page. The appropriate decile (Column (A)) corresponds to the market capitalization of the proxy group, which is found in Column 1.
- (3) Corresponding risk premium to the decile is provided on Column (E) on the bottom of this page.
- (4) Line No. 1 Column 3 – Line No. 2 Column 3. For example, the 4.08% in Column 4, Line No. 2 is derived as follows
4.08% = 5.59% - 1.51%.

Carolina Water Service, Inc. of South Carolina
Market Capitalization of Carolina Water Service, Inc. of South Carolina and
Proxy Group of Eight Water Companies

Company	Exchange	[1]	[2]	[3]	[4]	[5]	[6]
		Common Stock Shares Outstanding at Fiscal Year End 2016 (millions)	Book Value per Share at Fiscal Year End 2016 (1)	Total Common Equity at Fiscal Year End 2016 (millions)	Closing Stock Market Price on October 13, 2017	Market-to- Book Ratio on October 13, 2017 (2)	Market Capitalization on October 13, 2017 (3) (millions)
Carolina Water Service, Inc. of South Carolina		NA	NA	\$ 17.352 (4)	NA		
Based upon Proxy Group of Eight Water Companies						329.7 (5)	\$ 57.209 (6)
<u>Proxy Group of Eight Water Companies</u>							
American States Water Co.	NYSE	36.571	\$ 13.516	\$ 494.297	\$ 52.810	390.7 %	\$ 1,931.334
American Water Works Company Inc	NYSE	178.097	29.299	5,218.000	85.020	290.2	15,141.780
Aqua America Inc	NYSE	177.394	10.429	1,850.068	34.810	333.8	6,175.098
California Water Service Group	NYSE	47.965	13.749	659.471	41.350	300.7	1,983.349
Connecticut Water Service Inc	NASDAQ	11.248	20.983	236.028	62.170	296.3	699.317
Middlesex Water Co.	NASDAQ	16.296	13.404	218.437	43.610	325.4	710.669
SJW Corp	NYSE	20.456	20.612	421.646	60.890	295.4	1,245.580
York Water Co.	NASDAQ	12.852	8.875	114.061	35.950	405.1	462.040
Average		62.610	\$ 16.358	\$ 1,151.501	\$ 52.076	329.7 %	\$ 3,543.646

NA= Not Available

Notes: (1) Column 3 / Column 1.

(2) Column 4 / Column 2.

(3) Column 1 * Column 4.

(4) Carolina Water Services, Inc. of South Carolina's 2016 book equity from its annual report to the Commission multiplied by the requested common equity ratio.

(5) The market-to-book ratio of Carolina Water Service, Inc. of South Carolina on October 13, 2017 is assumed to be equal to the market-to-book ratio of Proxy Group of Eight Water Companies on October 13, 2017.

(6) Carolina Water Service, Inc. of South Carolina's common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at October 13, 2017 of the Proxy Group of Eight Water Companies, 329.7%, and Carolina Water Service, Inc. of South Carolina's market capitalization on October 13, 2017 would therefore have been \$57.21 million.

Source of Information: 2016 Annual Forms 10K
Bloomberg Financial Services

Carolina Water Service, Inc. of South Carolina
Portfolio Ranks by Size and Risk Premiums over CAPM Results
as Compiled by Duff and Phelps 2017 Guide to Cost of Capital

Portfolio Rank by Size	<u>B-1</u>		<u>B-2</u>		<u>B-4</u>		<u>B-5</u>		<u>B-7</u>		<u>B-8</u>	
	Average Mkt Value (in \$millions)	Smoothed Premium over CAPM	Average Book Val. (in \$millions)	Smoothed Premium over CAPM	MVIC (in \$millions)	Smoothed Premium over CAPM	Total Assets (in \$millions)	Smoothed Premium over CAPM	Sales (in \$millions)	Smoothed Premium over CAPM	Average Number of Employees	Smoothed Premium over CAPM
1	\$ 238,299	-1.78%	\$ 67,532	0.98%	\$ 277,921	-1.02%	\$ 161,117	52.00%	\$ 123,791	0.88%	341,434	0.43%
2	60,613	-0.16%	21,719	1.68%	77,365	0.28%	51,936	1.39%	38,382	1.75%	107,466	1.40%
3	35,630	0.47%	14,074	1.95%	46,877	0.79%	35,110	1.69%	22,044	2.17%	64,944	1.82%
4	23,756	0.95%	9,200	2.22%	32,471	1.16%	25,351	1.95%	17,114	2.35%	46,747	2.09%
5	17,471	1.32%	6,875	2.40%	24,248	1.45%	18,141	2.20%	13,286	2.54%	34,256	2.35%
6	13,871	1.59%	5,488	2.54%	18,506	1.73%	14,376	2.38%	10,376	2.73%	26,595	2.57%
7	11,594	1.80%	4,590	2.65%	15,426	1.91%	11,035	2.59%	8,400	2.88%	22,447	2.71%
8	9,463	2.04%	3,716	2.78%	13,457	2.05%	9,004	2.74%	6,977	3.02%	18,590	2.86%
9	7,822	2.27%	3,112	2.89%	10,762	2.28%	7,861	2.85%	5,938	3.14%	15,489	3.02%
10	6,482	2.49%	2,586	3.01%	8,658	2.50%	6,771	2.96%	5,106	3.25%	13,344	3.14%
11	5,637	2.66%	2,266	3.09%	7,453	2.65%	5,710	3.09%	4,435	3.36%	11,841	3.24%
12	4,791	2.85%	2,012	3.16%	6,455	2.79%	4,998	3.19%	3,740	3.48%	10,389	3.35%
13	3,915	3.09%	1,751	3.25%	5,466	2.96%	4,290	3.31%	3,184	3.60%	9,004	3.47%
14	3,329	3.28%	1,500	3.34%	4,718	3.11%	3,661	3.43%	2,771	3.71%	7,588	3.61%
15	2,897	3.45%	1,303	3.43%	4,043	3.27%	3,160	3.55%	2,509	3.78%	6,511	3.74%
16	2,508	3.62%	1,174	3.50%	3,541	3.40%	2,735	3.66%	2,276	3.85%	5,710	3.85%
17	2,130	3.81%	1,030	3.58%	3,075	3.55%	2,345	3.78%	1,980	3.96%	4,908	3.98%
18	1,842	3.99%	861	3.69%	2,587	3.72%	1,927	3.93%	1,670	4.08%	4,194	4.11%
19	1,584	4.17%	711	3.81%	2,109	3.93%	1,621	4.06%	1,412	4.21%	3,507	4.26%
20	1,313	4.39%	577	3.94%	1,696	4.15%	1,363	4.19%	1,181	4.34%	2,908	4.42%
21	1,023	4.69%	479	4.05%	1,323	4.40%	1,069	4.38%	696	4.49%	2,328	4.60%
22	731	5.08%	385	4.19%	1,014	4.67%	801	4.60%	797	4.63%	1,797	4.82%
23	532	5.46%	303	4.34%	738	4.99%	600	4.82%	589	4.86%	1,281	5.10%
24	370	5.89%	207	4.57%	513	5.36%	429	5.08%	407	5.13%	871	5.42%
25	121	7.22%	76	5.19%	163	6.52%	161	5.83%	129	5.99%	305	6.30%
Proxy Group of Eight Water Companies	B-1 Value	Portfolio Ranking	B-2 Value	Portfolio Ranking	B-4 Value	Portfolio Ranking	B-5 Value	Portfolio Ranking	B-7 Value	Portfolio Ranking	B-8 Value	Portfolio Ranking
	\$ 3,383	14	\$ 1,152	16	\$ 4,769	14	\$ 3,961	13-14	\$ 723	21-22	1,417	22-23
Carolina Water Service, Inc. of South Carolina	B-1 Value	Portfolio Ranking	B-2 Value	Portfolio Ranking	B-4 Value	Portfolio Ranking	B-5 Value	Portfolio Ranking	B-7 Value	Portfolio Ranking	B-8 Value	Portfolio Ranking
	\$ 57.21	25	\$ 17.35	25	\$ 57.21	25	\$ 79.51	25	\$ 21.47	25	48	25
Indicated Risk Premium	3.94%		1.69%		3.41%		2.46%		1.43%		1.34%	

Sources of Information:

Duff & Phelps 2017 Valuation Handbook Exhibit B-1 through B-8
SNL Financial
Company Form 10-K